

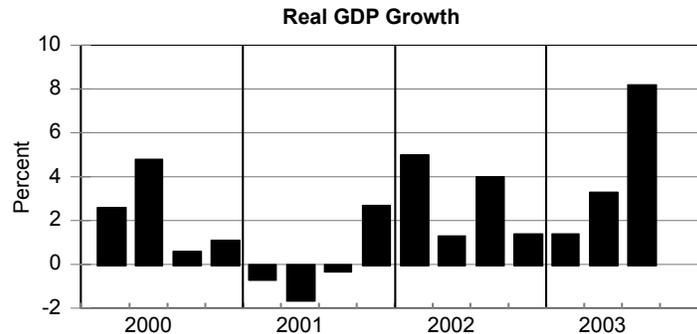


## ECONOMIC GROWTH SURGED IN THE THIRD QUARTER

*Revised estimates of GDP — New estimates of profits*

Production and income growth surged in the July-September period and inflation was moderate, according to estimates released today by the U.S. Bureau of Economic Analysis.

Gross domestic product (GDP), the most comprehensive measure of U.S. economic activity, is now estimated to have increased at an inflation-adjusted annual rate of 8.2 percent in the third quarter, 1 percentage point more than last month's "advance" estimate. The revision mainly reflects the incorporation of new and revised source data that show stronger investment in inventories and in equipment and software than was initially reported.



Real GDP growth is measured at seasonally adjusted annual rates.  
Source: U.S. Bureau of Economic Analysis

- Consumer spending was stronger across the board in the third quarter than in the second. A jump in real disposable income—largely reflecting the lower withholding rates and the advance payment of child tax credits mandated by this year's tax cut—helped finance the step-up in consumer spending.
- Business investment in equipment and software stepped up, while investment in structures changed little.
- Residential investment posted its biggest increase in 11 years. Single-family and multifamily construction and brokers' commissions on house sales all contributed to the increase.
- Exports and imports both contributed to an improvement in the trade balance.
- Businesses did not draw down inventories as much as in the second quarter.
- Government spending increased modestly on the basis of construction spending by states and localities. Defense spending decreased slightly after increasing sharply in the second quarter.

Prices paid by U.S. residents increased 1.8 percent in the third quarter after increasing only 0.4 percent in the second. About half of the step-up reflected a turnaround in energy prices; excluding food and energy, prices increased 1.4 percent in the third quarter after increasing 0.8 percent in the second.

Corporate profits increased almost 12 percent (quarterly rate) in the third quarter, a little faster than in the second; profits are up 30 percent from a year ago.

---

BEA's data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states and industries—are available on its Web site: <[www.bea.gov](http://www.bea.gov)>.

NOTE: Additional information that becomes available in the coming weeks will be incorporated into revised estimates of third-quarter GDP and corporate profits on December 23, 2003. Initial results of a comprehensive revision to the national income and product accounts (with estimates for 1929 through the second quarter of 2003) will be released on December 10.

Contact: Larry Moran 202-606-9691

Bureau of Economic Analysis  
U.S. Department of Commerce